

CHECKLIST ENVIRONMENTAL ASSESSMENT

Project Name: FX State #33-1

Proposed Implementation Date: Winter 2008

Proponent: FX Drilling Company, Inc. P.O. Box 449 Shelby, MT 59474 ph. (406) 337-2050

Type and Purpose of Action: To test the Jurassic Swift, and or the Mississippian Madison Formation for potential commercial oil production within the established Bannatyne oil field.

Location: T26N – R1E – Sec 33 (330' FSL x 2310' FWL)
(Common Schools)

County: Teton

I. PROJECT DEVELOPMENT

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| 1. PUBLIC INVOLVEMENT, AGENCIES, GROUPS OR INDIVIDUALS CONTACTED: Provide a brief chronology of the scoping and ongoing involvement for this project. | DNRC, MMB, Subsurface/Surface owner
Robert Carney, Surface Lessee
Hunter Energy LLC, Mineral Lessee – OG – 37497-07
FX Drilling Company, Operator
Teton County Farm Service Agency: CRP Contract |
| 2. OTHER GOVERNMENTAL AGENCIES WITH JURISDICTION, LIST OF PERMITS NEEDED: | None |
| 3. ALTERNATIVES CONSIDERED: | Deny the request |

II. IMPACTS ON THE PHYSICAL ENVIRONMENT

RESOURCE

[Y/N]

POTENTIAL IMPACTS

N = Not Present or No Impact will occur.
Y = Impacts may occur (explain below)

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| 4. GEOLOGY AND SOIL QUALITY, STABILITY AND MOISTURE:
Are fragile, compactable or unstable soils present? Are there unusual geologic features? Are there special reclamation considerations? Are cumulative impacts likely to occur as a result of this proposed action? | [N] This proposal will take place on northern glaciated plains. This particular area lies a few miles north of the Teton river. The majority of the landscape has been broken into 20 rod cultivated strips. This particular tract was historically broken for cultivation. However, the current surface has been enrolled into the Federal CRP program for the past few decades. The CRP grass stand consists of Crested Wheat grass, Slender Wheat grass, and Alfalfa. The dominant species being Crested Wheat grass. Travel will be restricted to dry and or frozen conditions only. Periodic noxious weed control will be required as long as oil and gas activity persists. Reclamation of all surface disturbances will be required. All pits will be backfilled. All cut and fill will be recontoured. All debris and |
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II. IMPACTS ON THE PHYSICAL ENVIRONMENT

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| 5. WATER QUALITY, QUANTITY AND DISTRIBUTION: Are important surface or groundwater resources present? Is there potential for violation of ambient water quality standards, drinking water maximum contaminant levels, or degradation of water quality? Are cumulative impacts likely to occur as a result of this proposed action? | spills will be removed and properly disposed of. Seeding requirements will be 7 lbs/acre each of Crested Wheat grass and Slender Wheat grass for 75 % of the mix. The remaining 25% will be a dry land alfalfa variety. |
| 6. AIR QUALITY: Will pollutants or particulate be produced? Is the project influenced by air quality regulations or zones (Class I air shed)? Are cumulative impacts likely to occur as a result of this proposed action? | [N] Ground water will probably be encountered during the drilling phase of the proposal. All sub-surface water will be controlled in accordance with MBOG regulations. |
| 7. VEGETATION COVER, QUANTITY AND QUALITY: Will vegetative communities be permanently altered? Are any rare plants or cover types present? Are cumulative impacts likely to occur as a result of this proposed action? | [N] There will be no impact to the air shed as a result of this proposal. |
| 8. TERRESTRIAL, AVIAN AND AQUATIC LIFE AND HABITATS: Is there substantial use of the area by important wildlife, birds or fish? Are cumulative impacts likely to occur as a result of this proposed action? | [Y] A 250' by 175' foot area will be excavated for the drilling location. If the drilling encounters commercial oil volumes, a flow line will be installed to an existing battery. If the drilling is un-successful, all disturbances will be recontoured and re-vegetated with the recommendations outlined in item number 4 of this document. |
| 9. UNIQUE, ENDANGERED, FRAGILE OR LIMITED ENVIRONMENTAL RESOURCES: Are any federally listed threatened or endangered species or identified habitat present? Any wetlands? Sensitive Species or Species of special concern? Are cumulative impacts likely to occur as a result of this proposed action? | [N] The tract is utilized by game birds and mule deer. However, the tract lies within an existing producing oil field indicating that wildlife appear to commingle with the oil field activity. |
| 10. HISTORICAL AND ARCHAEOLOGICAL SITES: Are any historical, archaeological or paleontological resources present? | [N] There are no endangered or threatened species or habitat present on this site. |
| 11. AESTHETICS: Is the project on a prominent topographic feature? Will it be visible from populated or scenic areas? Will there be excessive noise or light? Are cumulative impacts likely to occur as a result of this proposed action? | [N] The field investigation, and the review of the lease records showed no cultural or historic resources present. |
| 12. DEMANDS ON ENVIRONMENTAL RESOURCES OF LAND, WATER, and AIR OR ENERGY: Will the project use resources that are limited in the area? Are there other activities nearby that will affect the project? Are cumulative impacts likely to occur as a result of this proposed action? | [N] There are no prominent topographic features in the proposed area. |
| 13. OTHER ENVIRONMENTAL DOCUMENTS PERTINENT TO THE AREA: Are there other studies, plans or projects on this tract? Are cumulative impacts likely to occur as a result of other private, state or federal current actions w/n the analysis area, or from future proposed state actions that are under MEPA review (scoping) or permitting review by any state agency w/n the analysis area? | [N] There are basically two major industries within this proposed area. They are the agricultural and petroleum industries. Both appear to work quite well together. |
| | [N] None |

III. IMPACTS ON THE HUMAN POPULATION

RESOURCE	[Y/N] POTENTIAL IMPACTS AND MITIGATION MEASURES
14. HUMAN HEALTH AND SAFETY: Will this project add to health and safety risks in the area?	[N] This project will not add to the health and safety of the area.
15. INDUSTRIAL, COMMERCIAL AND AGRICULTURAL ACTIVITIES AND PRODUCTION: Will the project add to or alter these activities?	[Y] The results of this project can contribute to increased oil production if the drilling is successful.
16. QUANTITY AND DISTRIBUTION OF EMPLOYMENT: Will the project create, move or eliminate jobs? If so, estimated number. Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project will create several temporary contracting jobs during the permitting, drilling, and completion process.
17. LOCAL AND STATE TAX BASE AND TAX REVENUES: Will the project create or eliminate tax revenue? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project will create substantial tax revenue from the sale of added oil production if the venture is successful.
18. DEMAND FOR GOVERNMENT SERVICES: Will substantial traffic be added to existing roads? Will other services (fire protection, police, schools, etc) be needed? Are cumulative impacts likely to occur as a result of this proposed action?	[Y] There will be a temporary influx of traffic during the drilling phase of the project. This traffic will deflate after the drilling has been completed.
19. LOCALLY ADOPTED ENVIRONMENTAL PLANS AND GOALS: Are there State, County, City, USFS, BLM, Tribal, etc. zoning or management plans in effect?	[N] None
20. ACCESS TO AND QUALITY OF RECREATIONAL AND WILDERNESS ACTIVITIES: Are wilderness or recreational areas nearby or accessed through this tract? Is there recreational potential within the tract? Are cumulative impacts likely to occur as a result of this proposed action?	[N] There are no wilderness or recreational sites accessed through this tract.
21. DENSITY AND DISTRIBUTION OF POPULATION AND HOUSING: Will the project add to the population and require additional housing? Are cumulative impacts likely to occur as a result of this proposed action?	[N] None
22. SOCIAL STRUCTURES AND MORES: Is some disruption of native or traditional lifestyles or communities possible?	[N] None
23. CULTURAL UNIQUENESS AND DIVERSITY: Will the action cause a shift in some unique quality of the area?	[N] None
24. OTHER APPROPRIATE SOCIAL AND ECONOMIC CIRCUMSTANCES: Is there a potential for other future uses for easement area other than for current management? Is future use hypothetical? What is the estimated return to the trust. Are cumulative impacts likely to occur as a result of this proposed action?	[Y] This project can benefit the State of Montana in terms of oil royalties produced. Revenue will also be generated from permitting fees and surface damage payments required for a drilling proposal. Estimated returns are not applicable until after the project has been completed.

EA Checklist Prepared By: STEVE DOBSON
Name

LUS - Conrad
Title

Date: 2-25-08

IV. FINDING

25. ALTERNATIVE SELECTED:

Grant FX Drilling Co. authorization to drill the State #33-1 well.

26. SIGN4IFICANCE OF POTENTIAL IMPACTS:

The proposed well is located on state land agricultural land currently enrolled in CRP. Teton County FSA office has been contacted regarding drilling operations on the CRP contract. Small-scale impacts to the CRP around the location are expected. No archaeological sites were observed within the project area. Surface damages have been settled with the DNRC for \$1250.00. Actual surface damages have been settled with our surface lessee for \$100.00. Following drilling, all disturbed area will be recontoured and reseeded to CRP mixture (introduced species) outlined in this EA. If this well is economical to produce, the common school trust will receive royalty payments.

27. Need for Further Environmental Analysis:

☐ EIS ☐ More Detailed EA ☒ **No Further Analysis**

EA Checklist Approved By: Erik Eneboe Conrad Unit Manager - CLO
Name Title

/S/ ERIK ENBOE March 7, 2008
Signature Date

TO: Erik Eneboe, Unit Manager, Conrad, CLO

FROM: Steve Dobson, LUS, Conrad, CLO

Date: January, 25, 2008

RE: Drilling Stipulations:

FX State 3-1 - {T25N – R 1E – Sec 3} - (600' FNL x 450' FWL)

FX State 33-1 - {T26N – R1E – Sec 33} - (330' FSL x 2310' FWL)

Teton County

1. Access limited to existing roads or designated route.
2. Travel during dry or frozen conditions only.
3. Top 12 inches of topsoil shall be removed from the proposed well site and stockpiled.
4. Following drilling activities the site will be reshaped and recontoured to the original grades, and the top soil reapplied.
5. Disturbances will be seeded with 7 lbs/acre PLS slender wheatgrass, crested wheatgrass, and alfalfa. Poundage will be doubled if broadcast. Seeding will be implemented in spring before May 1st 2008.
6. Operator shall contact DNRC surface lessee, Robert Carney 24 hours prior to drilling.
7. Operator shall contact Erik Eneboe, Conrad Unit Manager, when well site reclamation is complete.